



FEDERAL ELECTION COMMISSION

WASHINGTON, D C 20463

May 5, 2004

VIA FEDERAL EXPRESS

Mr. Paul A. Matteucci
1870 Shiloh Valley Dr.
Chesterfield, MO 63005; and

1800 Oak St. Apt. 614
Arlington, VA 22209

RE: MUR 5383
Paul A. Matteucci

Dear Mr. Matteucci:

Based on information ascertained in the normal course of carrying out its supervisory responsibilities, the Commission, on August 27, 2003, found that there was reason to believe that you violated 2 U.S.C. § 441b(a), and instituted an investigation of this matter.

After considering all the evidence available to the Commission, the Office of the General Counsel is prepared to recommend that the Commission find probable cause to believe that you violated 2 U.S.C. § 441b(a).

The Commission may or may not approve the General Counsel's recommendation. Submitted for your review is a brief stating the position of the General Counsel on the legal and factual issues of the case. Within 15 days of your receipt of this notice, you may file with the Secretary of the Commission a brief (ten copies if possible) stating your position on the issues and replying to the brief of the General Counsel. (Three copies of such brief should also be forwarded to the Office of the General Counsel, if possible.) The General Counsel's brief and any brief which you may submit will be considered by the Commission before proceeding to a vote of whether there is probable cause to believe a violation has occurred.

Please be advised that due to statute of limitations considerations, this Office will request that you execute an agreement to toll the applicable statutes of limitations before granting any request for an extension of time to respond to the enclosed brief. In addition, any extension

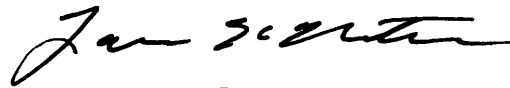
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request must be submitted in writing five days prior to the due date, and good cause must be demonstrated.

A finding of probable cause to believe requires that the Office of the General Counsel attempt for a period of not less than 30, but not more than 90 days, to settle this matter through a conciliation agreement.

Should you have any questions, please contact Dawn M. Odrowski, the attorney assigned to this matter, at (202) 694-1650.

Sincerely,



Lawrence H. Norton
General Counsel

Enclosure
Brief

1 **BEFORE THE FEDERAL ELECTION COMMISSION**

In the Matter of:

Paul A. Matteucci

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MUR 5383

2 **GENERAL COUNSEL'S BRIEF**

3 **I. STATEMENT OF THE CASE**

4 MUR 5383 was generated based on information ascertained by the Federal Election
5 Commission ("the Commission") in the normal course of carrying out its supervisory
6 responsibilities. *See* 2 U.S.C. § 437g(a)(2). MUR 5112 was generated by a complaint filed with
7 the Federal Election Commission by Roy Temple, Executive Director of the Missouri State
8 Democratic Committee. The complainant alleged, *inter alia*, that the Committee failed to
9 provide an adequate purpose for a number of disbursements.

10 On August 27, 2003, the Commission found reason to believe that Paul A. Matteucci
11 violated 2 U.S.C. § 441b(a) by consenting to the making of, and accepting, a corporate
12 contribution in the form of an advance to cover printing costs of a candidate-authored book
13 distributed free during the 2000 campaign.

14 As discussed below, the Office of the General Counsel ("this Office") intends to
15 recommend that the Commission find probable cause to believe that Paul A. Matteucci violated
16 2 U.S.C. § 441b(a) by consenting to make a prohibited contribution to the Federer for Congress
17 Committee ("the Committee") in the form of an advance to print a book to be used by the
18 Committee during the campaign and by accepting the advance on behalf of the Committee in his
19 role as the Committee's campaign manager.

II. FACTUAL & LEGAL ANALYSIS¹

A. The Law

The Federal Election Campaign Act of 1971, as amended ("the Act"), prohibits corporations from making contributions in connection with a Federal election. 2 U.S.C. § 441b(a). It also prohibits any officer or director of a corporation from consenting to any prohibited contribution or expenditure by the corporation. *Id.* The Act further prohibits any candidate, political committee or other person from knowingly accepting or receiving a prohibited contribution. The term "contribution" includes "any direct or indirect payment, distribution, loan, advance, deposit or gift of money, or any services or anything of value . . . to any candidate, [or] campaign committee . . . in connection with" any Federal election. 2 U.S.C. § 441b(b)(2). See also 2 U.S.C. § 431(8)(A). The term "anything of value" includes all in-kind contributions and the provision of goods and services without charge or at a charge which is less than the usual and normal charge for such goods and services. 11 C.F.R. § 100.7(a)(1)(iii).

B. The Facts²

Mr. William Federer was a candidate in the 1998 and 2000 elections for the 3rd Congressional District in Missouri. Federer for Congress Committee was his principal campaign committee for both elections. Mr. Paul Matteucci is a longtime political activist who worked on

¹ The activity in this matter is governed by the Act and Commission regulations in effect during the 1999-2000 election cycle, which precedes the amendments made to the Act and regulations by, and as a result of, the Bipartisan Campaign Reform Act of 2002 ("BCRA"), Pub. L. 107-155, 116 Stat. 81 (2002). Accordingly, all citations to the Act and regulations contained in this report refer to the Act and regulations as they existed prior to the effective date of BCRA.

² The facts discussed below are based on publicly available information, documents produced to the Commission and interviews conducted by OGC staff with former and current Dickinson Press employees, Mr. Paul Matteucci, and a retired agent of the Federal Bureau of Investigation ("FBI").

1 both campaigns. Mr. Matteucci identified himself, and was identified by Mr. Federer, as the
2 Committee's initial campaign manager for the 2000 campaign. Mr. Matteucci described his role
3 as primarily introducing Mr. Federer to people in the political community and "drumming up
4 support." He credited himself with retiring the Committee's 1998 campaign debt and raising
5 about \$100,000 for the 2000 campaign by the time Mr. Federer announced his candidacy in
6 September 1999. He left the campaign shortly thereafter.

7 As part of their effort to raise funds for the 2000 campaign, Mr. Matteucci and Mr.
8 Federer decided in the summer of 1999 to use a book authored by Mr. Federer, *America's God &*
9 *Country* ("AG&C"), as a way to introduce him to potential supporters and to give to persons who
10 made contributions exceeding a certain amount.³ The Committee, however, had insufficient
11 funds to pay to print the books. As of June 30, 1999, the Committee had reported cash on hand
12 of only \$1,321 and a debt of \$8,233, most of it owed to AM & PM, Inc., a corporation for which
13 Mr. Matteucci served as president,⁴ in connection with the 1998 election for "printed materials
14 for campaign." A separate printing of 3,000 books for the Committee was estimated to cost
15

³ AG&C is an encyclopedia of quotations from past and present U.S. leaders and government and historical documents. It has been published since 1994 by Fame Publishing, Inc., and more recently by Amerisearch, Inc., a corporation for which Mr. Federer serves as president. In the past, Mr. Federer sold copies of AG&C following presentations he made to church and school groups.

⁴ According to its Articles of Incorporation, AM & PM, a Missouri corporation, was established in 1995 as a computer and computer consulting business. Mr. Matteucci served as president of AM & PM, Inc. He conducted a variety of work through AM & PM including management consulting, planning, computer software development and campaign work. AM & PM also owned printing presses and printed materials such as GOTV postcards and fliers for campaigns. According to Mr. Matteucci, the number of AM & PM employees varied but did not exceed approximately nine. AM & PM was administratively dissolved on September 14, 1999.

1 between \$10,000-\$11,000. Therefore, according to Messrs. Matteucci and Federer, Mr.
2 Matteucci's company, AM & PM, advanced the funds for a 3,000-book order.⁵

3 Mr. Matteucci stated that the 3,000-book order for the Committee, consisting of 2,000
4 "white bound" and 1,000 "gold bound" books,⁶ was added to an order Mr. Federer had placed
5 with Dickinson Press, Inc. to print copies of the books to be sold for profit. Documents from
6 Dickinson Press essentially corroborate Mr. Matteucci's statements. Copies of Dickinson Press
7 purchase orders show that Mr. Federer placed two orders to print copies of AG&C, one on
8 June 17, 1999 for 5,500 books ("the original order") and an "add-on order" on July 25, 1999, for
9 another 6,000 books.⁷ The original order consisted of only plain hardcover books and soft cover
10 books and was paid for by Amerisearch. The add-on order included the 3,000 books purchased
11 by AM & PM for the Committee. It included hard cover books with gilded edges, the so-called
12 "gold bound" books, and was paid for by both Amerisearch and AM & PM. Amerisearch paid
13 with a \$9,135 check dated July 25, 1999 and signed by Mr. Federer. AM & PM paid with a
14 check for \$12,180 dated July 26, 1999, signed by Mr. Matteucci, with the notation "Federer for
15 Congress" on the accompanying check stub.

⁵ Mr. Matteucci stated in a 2001 interview with the FBI that AM & PM's advance was also partially an attempt to segregate copies of the books to be sold from those printed for the campaign to distribute free. Mr. Federer also stated to the FBI that efforts were made to separate books for the campaign from those sold for profit. The precise meaning of these statements is unclear.

⁶ Mr. Matteucci apparently reversed the numbers of each book type in his interview with the FBI See footnote 8.

⁷ The July 25 order was referred to in Dickinson Press documents as an add-on to the original. Both the original and add-on orders were revised several times before Mr. Federer, in his capacity as president of Amerisearch, signed the final versions, dated June 17, 1999 and July 25, 1999, respectively. Dickinson Press's purchase orders, or quotations, contain the specifications of a printing job including the type of book (hardcover, soft cover, etc.) and binding, the quantity, the quoted price and the terms of payment and shipping. The form contains an "Accepted By" signature line followed by title and date lines to be completed by the customer.

1 Dickinson Press had required cash-in-advance payments for both orders before printing
2 them. The orders were printed together after payments were received and they were designated
3 as a single print job in Dickinson Press documents.

4 Messrs. Federer and Matteucci both stated that the Committee eventually reimbursed AM
5 & PM for its \$12,180 advance. A document obtained by the Commission, however, indicates
6 that the Committee reimbursed AM & PM for only part of its advance. In an August 31, 1999
7 invoice, AM & PM billed the Committee \$20,456 for various charges including consulting and
8 payroll fees and a \$11,491 "book advance." The Committee reported a disbursement to AM &
9 PM on September 20, 1999 in the amount of that invoice for "services rendered."

10 **The Usual and Normal Charge for Books Printed for the Committee**

11 Although AM & PM paid \$12,180 to print 3,000 books for the Committee's use in
12 fundraising, neither AM & PM's payment nor the Committee's reimbursement fully covered the
13 usual and normal charge to print those books. See 11 C.F.R. § 100.7(a)(1)(iii). The usual and
14 normal charge to print copies of AG&C consisted of two components: the direct print costs
15 comprised of a unit price to print each type of book (hardcover, soft cover, hardcover with gilded
16 edges) and related costs such as film preparation and shipping.

17 The statements by Messrs. Federer and Matteucci that AM & PM ordered 3,000 copies of
18 AG&C coupled with Mr. Matteucci's description that the books for the Committee consisted of
19 "white-bound" and "gold-bound" books indicate the specific books ordered for the Committee in
20

1 the add-on order were 1,000 soft cover books and 2,000 hardcover books with gilded edges.⁸ As
2 detailed below, the usual and normal cost for these books, based on a non-discounted price
3 (\$13,106) and including a proportionate share of related costs (\$698) was \$13,714.

4 Dickinson Press's invoice covering both the original and add-on orders shows that it gave
5 a unit price discount for each order of 1,000 books exceeding 2,000 of a particular book type, a
6 kind of volume discount. Consequently, the Committee received the benefit of a discounted
7 price for its 3,000-book order because Mr. Federer placed the order to print books for the
8 Committee with orders to print 8,500 books for Amerisearch. Specifically, the invoice indicates
9 that the usual and normal unit price charged to print the first 2,000 soft cover books was \$3.46;
10 thereafter the price dropped to \$1.943. Because Amerisearch had ordered more than 2,000 soft
11 cover books, the charge for the Committee's 1,000 soft cover books was \$1,943 rather than
12 \$3,468, a discount of 56% resulting in a savings of \$1,525.⁹ Taking into account the
13 Committee's entire 3,000-book order of soft-cover and gilded-edged hard cover books, the usual

⁸ Although Mr. Matteucci described the books purchased for the Committee as 2,000 "white bound" and 1,000 "gold bound" books, a copy of an earlier version of the add-on order he gave to the FBI in support of his statement reflected the reverse: 1,000 soft cover (or "white bound") books and 2,000 gilded-edged hardcover (or "gold bound") books. The final version of the add-on order also contained that combination of soft cover and gilded edged books. Another indication that the books purchased for the Committee were the soft cover/gilded-edged combination books is that price charged for the other set of 3,000 books in the add-on order, the hardcover books, matched the amount of Amerisearch's \$9,135 payment for that order.

⁹ According to Dickinson Press, the unit price charged for the other books ordered for the Committee -- 2,000 gilded-edged hardcover books at \$4 774 per book -- was also favorably influenced by the fact that these books were printed with other copies of the book, since the printing process for the "book block" (the book without a cover) is the same for any book type. However, this Office has insufficient information to determine the usual and normal cost of 2,000 gilded edged hardcover books printed as part of a 3,000-book order, rather than an 11,919-book order, as was the case here.

1 and normal charge for the direct print costs was \$13,016 rather than a discounted charge of
2 \$11,491.¹⁰

3 Dickinson Press's invoice covering both orders also included \$4,169 in related costs for
4 film preparation, editing and shipping fees and a \$1,400 credit for print overruns.¹¹ The usual
5 and normal charge for the 3,000 books purchased for the Committee, therefore, should have
6 included a proportionate share of the \$2,769 in net related costs. Three thousand of the total
7 11,919 books printed by Dickinson Press, or 25.2%, were for the Committee. The proportionate
8 share of related costs attributable to the Committee's books, therefore, was \$698 (25.2% of
9 \$2,769).

10 C. Analysis

11 AM & PM advanced \$12,180 in July 1999 to print 3,000 copies of AG&C for the
12 Committee's use in raising funds during the 2000 election cycle because the Committee had
13 insufficient funds to pay the cost itself. *See* 2 U.S.C. § 441b(b)(2). Because AM & PM was a
14 corporation at the time, AM & PM was prohibited from advancing funds on behalf of the
15 Committee and the Committee was prohibited from accepting the advance. *See* 2 U.S.C.
16 § 441b(a). Mr. Matteucci, president of AM & PM at the time, agreed that AM & PM would
17 advance funds to print books for the Committee and, indeed, he signed the check to Dickinson
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¹⁰ The fact that the non-discounted price of the 3,000 combination soft cover/gilded edge books matches the figure for the \$11,491 book advance in AM & PM's invoice to the Committee is another indication that these books were the ones purchased for the Committee. In an interview with this Office in 2004, Mr. Matteucci could not explain why AM & PM paid Dickinson Press \$12,180 but billed the Committee for an advance of only \$11,491.

¹¹ Dickinson Press indicated in a letter to this Office that the invoice took into account print overruns, presumably the basis of the \$1,400 credit. According to the invoice, 11,919 books were printed, 419 more books than were ordered. Based on the discounted prices, the cost of those 419 books would have been about \$1,154. A Dickinson Press employee explained that over-runs are common due to the way the printing press operates, but he could not confirm the reason for the credit in follow-up interviews.

Press that constituted the advance. Moreover, at the time of AM & PM's advance, Mr. Matteucci was simultaneously serving as Mr. Federer's campaign manager. Consequently, Mr. Matteucci consented to make a prohibited contribution in the form of an book advance and constructively accepted the contribution on the Committee's behalf in violation of 2 U.S.C. § 441b(a).


AM & PM's \$12,180 advance effectively covered the non-discounted direct printing cost of the books purchased for the Committee (\$11,491) and all but \$9 of a proportionate share of related costs (\$698). Because the Committee repaid only \$11,491 of AM & PM's advance, \$689 of AM & PM's prohibited contribution remains unrefunded.

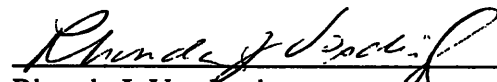
In light of Mr. Matteucci's dual roles in consenting to AM & PM's advance to Dickinson Press to print books for the Committee and in accepting the advance as campaign manager of Federer for Congress Committee, the Office of the General Counsel is prepared to recommend that the Commission find probable cause to believe that Paul A. Matteucci violated 2 U.S.C § 441b(a).

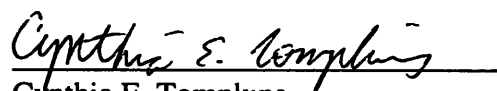
III. GENERAL COUNSEL'S RECOMMENDATION

Find probable cause to believe that Paul A. Matteucci violated 2 U.S.C. § 441b(a).

5/4/04
Date


Lawrence H. Norton
General Counsel


Rhonda J. Vosdingh
Associate General Counsel for Enforcement


Cynthia E. Tompkins
Assistant General Counsel

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Dawn M. Odrowski

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Attorney

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